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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C.20054

In the Matter of	)	
	)	CC Docket 97-149
1997 Annual Access Tariff Filings	)	CCB/CPD 98-1

REPLY COMMENTS OF SPRINT CORPORATION

Sprint Corporation ("Sprint") hereby respectfully submits its reply to comments filed on January 21, 1998 in response to the Petitions for Reconsideration filed in this matter by Bell Atlantic Telephone Companies and the SBC Companies. As discussed briefly below, the extreme positions taken by US WEST and SBC regarding the refund and recovery of common line costs, as well as those contrary positions taken by MCI and AT&T, should both be rejected in favor of the middle ground espoused by Sprint in its comments.

In their comments, both US WEST and the SBC Companies (specifically, Southwestern Bell) maintain that the Commission erred in ordering certain local exchange carriers ("LECs") to recalculate their common line charges and refund amounts over-collected from the interexchange carriers ("IXCs"). US WEST argues that it is not appropriate to punish the LECs for the inaccuracy of their forecasts and alleges that the methodology utilized by the Commission to estimate the BFP revenue requirement is equally flawed. Moreover, it declares that consumers will not benefit from the ordered refunds since the IXCs will not pass through the savings to their end users in the form of reduced rates. Overall, US WEST believes the Commission should consider these factors, along with the other changes it has ordered recently which will effect the LECs' access revenues, and rescind its decision to order refunds in this matter.

Southwestern Bell notes that it has already taken steps to insure that it recovers the common line revenues it would have received using the Commission's determined BFP per line by filing Transmittal No. 2683. Adopting the arguments put forth by Bell Atlantic in its PFR, Southwestern Bells states that, in the event the Commission fails to allow the Transmittal to take effect, the Commission must grant Bell Atlantic's PFR by either reversing the ordered IXC refund or specifying a method by which the affected LECs may recover their common line costs.

The arguments offered by US WEST and Southwestern Bell which suggest that the Commission must reverse its decision to order refunds are without merit and should be rejected. The Commission, having found and demonstrated that the LECs in question used a forecasting methodology which understated BFP and, accordingly, overstated residual common line costs recovered from IXCs, employed a reasonable alternative methodology to derive what appears to be more accurate BFP revenue requirement forecasts. Commission use of an alternative methodology to correct for LEC biases has been employed in previous access proceedings and is allowable and justifiable on the grounds that the resulting rates are more reasonable than those computed using the LEC methodology.

Moreover, US WEST's concern about IXC flow-through of any refunds received is misplaced. In the highly competitive interexchange market, competitive pressures will force IXCs to set their rates at appropriate levels, and Commission (or LEC) actions regarding IXC flow-throughs are unnecessary. Likewise, the fact that other Commission actions are impacting the access revenue flow of the LECs is irrelevant to the matter at hand, and certainly is not a legitimate rationale for allowing the continued misallocation of common line costs to IXCs. The Commission should, therefore, dismiss the arguments by these carriers and sustain its refund decision.

In contrast to US WEST and Southwestern Bell, neither AT&T nor MCI challenges the reasonableness of the Commission's methodology for estimating BFP or its decision to require affected LECs to refund common line overcharges to IXCs. AT&T and MCI do, however, object to Bell Atlantic's proposal that affected LECs be given an opportunity to recover from their multi-line business customers the common line costs refunded to IXCs. MCI and AT&T assert that allowing for a recovery mechanism would equate to retroactive ratemaking in direct violation of the filed rate doctrine.

AT&T and MCI are mistaken. In the cases cited by these carriers as authority for their argument, the Commission found that the subject rate increase instituted by the LEC was unreasonable or otherwise illegal. It is important to note that no such determination has been made in the instant case. The Commission has neither determined nor even suggested that the total amounts recovered for common line costs should be disallowed. Instead, the Commission has merely found that these costs, as currently allocated between two classes of customers, need to be redistributed among those customer classes.

Because the Commission did not challenge the reasonableness of total common line costs of the affected LECs, the Commission should follow the suggestion offered by Sprint and others that, when implementing this reallocation of costs, the refund should be balanced by a one-time recovery of undercharges. Specifically, this recovery mechanism should take the form of a one-time adjustment to the multi-line business SLC. Once the LECs have recovered the amounts resulting from the refund to the IXCs, the adjustment to the MLB SLC would be removed. As Sprint noted in its comments, the Commission has, in recent orders[1], recognized the propriety of offsetting refunds by providing to the LECs a mechanism to recover undercharges. Far from being

[1] See, *In the Matter of Tariffs Implementing Access Charge Reform*, CC Docket No. 97-250, Memorandum Opinion and Order ~~rel. December 30, 1997~~, at paragraphs 7-8.

retroactive ratemaking, use of a one-time recovery mechanism is an acceptable regulatory tool that can be used by the Commission to assure the fairness of its decisions.

The Commission should not permit MCI and AT&T to cloud the issues presented here. It should dismiss their arguments and adopt the recovery mechanism outlined in Sprint's initial comments in this matter.[2]

Respectfully submitted,

SPRINT CORPORATION

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January 28, 1998

[2] Sprint Comments at p.2, wherein it suggested that the undercharge amount be recovered starting July 1, 1998 through an exogenous adjustment targeted specifically to the multi-line business customer Subscriber Line Charge (SLC).

CERTIFICATE OF SERVICE

I, Melinda L. Mills, hereby certify that I have on this 28th day of January 1998, served via U.S. First Class Mail, postage prepaid, or Hand Delivery, a copy of the foregoing "Reply Comments of Sprint Corporation" in the Matter of 1997 Annual Access Tariff Filings, CC Docket No. 97-149, filed this date with the Secretary, Federal Communications Commission, to the persons on the attached service list.

Melinda L. Mills

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